

Message Text

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ACTION EA-12

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-08 FRB-03
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FM AMEMBASSY MANILA
TO SECSTATE WASHDC 5721
INFO AMEMBASSY BANGKOK
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AMEMBASSY KUALA LUMPUR
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E.O. 11652: N/A
TAGS: EINV, ETRD, ASEAN, E
SUBJECT: FOREIGN INVESTMENT AS DISCUSSED AT PBEC MEETING

REF: (A) SINGAPORE 1708, (B) MANILA 7039, (C) MANILA 7658

1. SUMMARY. PROTECTIONISM AND INVESTMENT WERE DOMINANT THEMES AT THE 11TH GENERAL MEETING OF THE PACIFIC BASIN ECONOMIC COUNCIL (PBEC) HELD MAY 7-10 IN MANILA. FINANCE SECRETARY VIRATA URGED THE MULTINATIONALS TO GO PUBLIC; AND THE PBEC ADOPTED A CHARTER (CODE) ON INTERNATIONAL INVESTMENTS IN WHICH PBEC IMPLICITLY RECOGNIZED THAT JOINT VENTURES WOULD BE THE GENERAL RULE. END SUMMARY.

2. THE PACIFIC BASIN ECONOMIC COUNCIL IS AN ORGANIZATION OF PRIVATE ENTERPRISE (I.E., MULTINATIONALS AND LARGE INDIGENOUS CORPORATIONS) WITH NATIONAL COMMITTEES IN AUSTRALIA, CANADA, JAPAN, NEW ZEALAND AND THE UNITED STATES, AND A SPECIAL PARTICIPANTS COMMITTEE FOR ALL OTHER COUNTRIES.
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TRIES IN THE PACIFIC BASIN. ITS 11TH ANNUAL MEETING WAS HELD MAY 7-10 IN MANILA WITH SOME 241 REGISTERED PARTICIPANTS, THE U.S. AND JAPANESE BEING THE STRONGEST CONTINGENTS.

3. WHILE PROTECTIONISM WAS A CONCERN OF THE DEVELOPING COUNTRIES STRONGLY SUPPORTED BY NEW ZEALAND, THE ROLE OF

FOREIGN INVESTMENT AND THE MULTINATIONALS IN ECONOMIC DEVELOPMENT OCCUPIED MUCH OF THE ATTENTION OF THE SPEAKERS AND DISCUSSIONS. MOST WIDELY PUBLICIZED SPEECH, GENERALLY IN NATIONALIST TONES IN THE PHILIPPINE PRESS, WAS THAT OF FINANCE SECRETARY CESAR VIRATA WHO URGED THE MULTINATIONALS TO GO PUBLIC. HE SAID, "SUBSIDIARIES OF MNCs REMAIN CLOSED CORPORATIONS IN THE PHILIPPINES. I COULD ONLY WISH THAT THEY SHOULD MOVE TOWARDS PUBLIC PARTICIPATION AND LISTING IN THE STOCK EXCHANGE."

4. RUNNING A CLOSE SECOND IN PUBLIC INTEREST WAS INDUSTRY SECRETARY VICENTE PATERNO'S MESSAGE TO THE MULTINATIONALS. HE SAID, I.A., "FROM TIME TO TIME EVERY MNC IN THE PHILIPPINES SHOULD EXAMINE WHETHER SOME CHANGES ARE ADVISABLE IN ITS WAY OF DOING BUSINESS SO AS TO MAKE THEM MORE COMPATIBLE WITH THE COUNTRY'S NEEDS, POLICIES AND OBJECTIVES AND TO OBIVIATE CRITICISM THAT MAY COME SOONER OR LATER."

5. THE PBEC APPROVED AT ITS OPENING PLENARY ON MAY 7, A CHARTER ON INTERNATIONAL INVESTMENTS, AND ITS PROVISIONS ON OWNERSHIP AND MANAGEMENT APPEAR TO SUPPORT VIRATA'S CALL FOR PUBLIC OWNERSHIP. BEGIN QUOTE: HOST GOVERNMENTS SHOULD ADOPT POLICIES WHICH PERMIT INTERNATIONAL INVESTORS TO OWN AND MANAGE THEIR ENTERPRISES TO THE EXTENT NECESSARY TO MAXIMIZE THEIR ABILITY TO OBTAIN AN ADEQUATE RETURN ON THE INVESTMENT AND THUS TO CONTRIBUTE TO THE HOST COUNTRY' LIMITED OFFICIAL USE

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ECONOMY. AMPLE OPPORTUNITIES SHOULD BE AVAILABLE TO NATIONAL INVESTORS SO THAT THEY MAY PARTICIPATE, THROUGH JOINT VENTURES OR OTHERWISE, IN OWNERSHIP AND MANAGEMENT OF INTERNATIONAL ENTERPRISES OPERATING IN THEIR COUNTRIES. END QUOTE.

6. THE EMBASSY, ON SUNDAY, MAY 7, AT THE CHARGE'S RESIDENCE, HOSTED A LUNCHEON BRIEFING FOR THE AMERICAN CONTINGENT, SOME FORTY STRONG, WITH WIVES, INCLUDING FORMER U.S. AMBASSADOR TO JAPAN AND MRS. JAMES D. HODGSON. MR. WELDON (HOOT) GIBSON OF STANFORD RESEARCH INTERNATIONAL, WHO SERVES AS SECRETARIAT FOR PBEC, EXPRESSED APPRECIATION OF AND SATISFACTION WITH THIS EMBASSY INPUT.

7. COMMENT. PBEC IS DEDICATED TO STRENGTHENING ECONOMIC RELATIONS AMONG THE FIVE MEMBER NATIONS AND TO STIMULATING ECONOMIC AND SOCIAL PROGRESS IN THE DEVELOPING COUNTRIES OF THE PACIFIC BASIN. IN THIS CONTEXT, TACT AND DIPLOMACY WERE THE RULES OF THE MEETING, AND THERE WERE NO SUBSTANTIVE DISCUSSIONS OF THE ISSUES. GOP OFFICIALS USED THE OCCASION TO EXPLAIN THEIR POLICIES AND TO SEEK UNDERSTANDING OF THEIR ASPIRATIONS. WHILE THERE WAS AN UNDERCURRENT

OF ANNOYANCE (AND MAYBE RESENTMENT, PARTICULARLY BY RESIDENT EXPATRIATES) OVER THE TONE OF THE GOP OFFICIALS, NEITHER THEIR POLICIES NOR THEIR APPROACH WERE CHALLENGED. THE PBEC PARTICIPANTS FROM THE DEVELOPED COUNTRIES (THE HEAD OFFICE MANAGERS WERE IN CONTROL) HAD THEIR FISH TO FRY AND EXHIBITED NOT ONLY AN UNDERSTANDING BUT A REALISTIC ACCEPTANCE OF CHANGING CIRCUMSTANCES. END COMMENT. TOUSSAINT

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